

GHANA

Oil boom fuels rush to Africa's 'Golden Gateway'

Lucrative energy windfalls will fund wide range of social and commercial infrastructure works

One of Africa's most economically, politically and socially stable countries, Ghana is utilizing its strategic location and vast natural resources to drive impressive socioeconomic development in partnership with major international investors.

Rich in gold, cocoa and other natural resources, the country of 24 million people is known as West Africa's "Golden Gateway". The welcoming nation is enjoying solid growth that is attracting increasing numbers of foreign partners and helping the government achieve its goal of economic diversification.

Bordered by Burkina Faso, Ivory Coast and Togo, Ghana recently started to pump oil from the vast offshore Jubilee Field, which is estimated to contain around 1.5 billion barrels of black gold.

Industry experts expect the oil field to generate as much as \$400 million in 2011, with a second offshore site found last September estimated to hold an additional 1.4 billion barrels.

The pro-business government of President John Atta Mills has pledged that these massive financial windfalls — that are eventually expected to reach \$1 billion a year — will ensure a "Better Ghana" for current and future generations.

Hospitals, schools, homes and roads will be built, vital social projects and programs launched and business parks, export zones, transport infrastructure and state-of-the-art telecoms networks constructed.

According to leading public and private sector figures, this huge spending spree will create tens of thousands of jobs in the short, medium and long term. The investments will also generate greater economic prosperity and business and investment opportunities for large sections of the general population.

Ministers are determined these projects will benefit Ghanaians throughout the country and not just improve the lives of those who reside in the bustling capital, Accra.

High-level talks

During his visit to Beijing last October, President Atta Mills and the President of China, Hu Jintao, signed a \$3 billion loan deal with the China Development Bank to develop Ghana's energy sector.

On the same trip, both leaders also put pen to paper on a multi-billion dollar funding package for infrastructure development that will be provided by the Export-Import Bank of China.

Shortly after his return from Asia, President Atta Mills unveiled the ambitious and comprehensive blueprint for Ghana called: The Coordinated Program of Economic and Social Development Policies.

"Through this program, we intend to deliver to the people of our dear country the 'Better Ghana' we promised," he told ministers and the millions of citizens who tuned into his live address on television and radio.

"When my government took over the administration of the country in 2008, the economy faced significant fiscal constraints and macroeconomic challenges. However, we have succeeded in stabilizing the economy through prudent macroeconomic management.

"Fiscal deficits have been reduced; exchange rates are now stable and inflation has been reined in to a single digit. The progress made within the period has provided the necessary foundation and fiscal space for launching this transformation agenda.

"The main thrust of this coordinated program is to transform the economy for accelerated growth and



Ghana Minister for Water Resources, Works and Housing Alban S. K. Bagbin

job creation through accelerated human resource development, agricultural modernization, value-added processing of our natural resource endowments on the back of the new oil and gas resources and leveraging the multi-sector infrastructure platform outlined in this document."

Infrastructure blueprint

Meanwhile, the strategic National Infrastructure Plan will create modern social, commercial and industrial infrastructure that will boost efficiency rates, reduce costs and increase Ghana's investment appeal.

The plan's policy document stated: "The improved physical and social infrastructure will support the change of the economy's structure to a value-added industrial processing platform and ensure the import and export competitiveness of the strategic industries that will optimize the new industrial economy.

"Natural gas will be harnessed

to increase electricity generation to meet the needs of Ghana and for export to other countries in the sub-region. The government will also implement science and technology-driven measures to enhance growth and provide the momentum to ensure the global competitiveness of Ghana's industrial champions."

Golden Jubilee

China and Ghana celebrated 50 years of diplomatic relations in July 2010, with the pair now major trade and investment partners.

This close cooperation extends to several key fields, including science, technology and education. China has also helped Ghana construct scores of important projects and buildings, such as rural schools, hospitals, highways, power plants, dams, police and military barracks, and the National Theater.

Economic cooperation between the two countries has grown rapidly over the past decade and in 2009, Sino-Ghanaian bilateral trade amounted to more than \$1.6 billion. Latest figures show the number of projects undertaken by Chinese firms in Ghana now totals in excess of 400.

Ghana's Minister for Foreign Affairs and Regional Integration, Alhaji Muhammad Mumuni, urged Chinese companies and investors to explore the wealth of investment opportunities in his country and make the most of the very favorable pro-business environment.

"I call on Chinese businessmen to take advantage of Ghana's stable macro economy, democratic credentials, good governance, rule of law, vast and encouraging oil exploration and excellent sea and air connections," he said.

"Together with improved infrastructure, Chinese companies can utilize these facilities to increase imports of Ghanaian food, horticultural goods, handicrafts, wood carvings and furniture, to ensure fair and balanced trade between our two countries."

These strong bilateral bonds and the pair's growing commercial and social interests were also acknowledged by Zhao Shiren, Chargé d'Affaires Ad Interim of the Chinese Embassy in Accra.

"The participation of Chinese companies in Ghana's infrastructure building, like the roads, bridges, highways, hospitals, schools, stadiums, energy generation facilities and dams, is playing an ever more important role in the realization of the 'Better Ghana' agenda, bringing about tangible benefits to society and people," he said.

"More and more Ghanaians are now studying on scholarships or receiving training in China. In recent years, the Chinese government has also dispatched a medical team,

youth volunteers, Chinese-language teachers and agricultural experts to Ghana.

"The number of business people and tourists is also on the rise. Exchanges and cooperation in the fields of culture and arts, education, sports, medicine and agriculture have yielded fruitful outcomes and further enhanced our brotherly ties by ushering in a new era of people-to-people diplomacy between our two countries."

Investment incentives

As a key member of the Economic Community of West African States (ECOWAS), Ghanaian exporters and businesses enjoy privileged access to hundreds of millions of consumers in the wider region.

In addition, the government provides foreign investors with a broad range of tax and financial incentives, while small, medium and large-size enterprises all benefit from strong and strictly-enforced legal and regulatory frameworks.

With billions of dollars of public

"Such plans involve a lot of infrastructure and investment, so we should be looking at that for the long term. In the meantime, I want us to use the stimulus to improve the treatment plants and distribution network. We inherited this network from colonial times and it needs to be renewed, but this requires a lot of money which is why we need foreign investors."

Water treatment projects

The Bui Dam Project, which is being funded and built by Chinese firms, is a major water treatment plant that will supply water to larger communities located downstream.

"In the last 40 years, public investment in water infrastructure has lagged behind demand," said Kwaku Botwe, acting managing director of Ghana Water Company Limited, which mainly focuses its water supply activities in urban areas.

"We must go beyond the 85 percent target for 2015 and give everyone easy access to drinking water

Water is life and my vision for water resources in Ghana is the development of a large-scale, national water supply system with the water coming from the Volta Lake and supplying the whole country.

ALBAN S. K. BAGBIN

MINISTER FOR WATER RESOURCES, WORKS AND HOUSING

and private sector funding, both domestic and foreign, set to pour into Ghana in coming years, one sector identified as a priority for infrastructure development is the water, sanitation and sewerage industry.

Although blessed with many rivers and decent rainfall, only around 60 percent of Ghanaians have access to clean drinking water and ministers are determined that figure should reach 85 percent by 2015.

The precious natural resource is used heavily by agricultural workers, such as farmers and crop growers for livestock and irrigation purposes.

To achieve the ambitious 85 percent target, Ghana Water Company Limited, the Water Resources Commission and the Community Water and Sanitation Agency (CWSA) are working closely together to tackle water-related issues and improve and expand the nationwide water supply network.

"Water is life and my vision for water resources in Ghana is the development of a large-scale, national water supply system with the water coming from the Volta Lake and supplying the whole country," stated Ghana's Minister for Water Resources, Works and Housing, Alban S. K. Bagbin.

supplies around the clock."

He suggested several options for financing water-related infrastructure, including Public Private Partnerships (PPPs) and higher taxes. "The challenge is to be more viable through cost savings and focusing more on commercial development to attract investment," he said.

The Water Resources Commission regulates and coordinates government policies relating to water resources and is the overall body responsible for their management.

Ben Y. Ampomah, acting executive secretary for the Water Resources Commission, said his agency is piloting projects involving buffer zones around degraded rivers with the aim of giving them new life and generating economic activity. "We wish to create livelihoods while maintaining the ecological integrity of the bodies of water," he said.

Clement Bugase, CWSA chief executive, said that education formed a vital part of his government-managed commission's work.

"We teach people how to handle water and sanitary situations. We provide community development in line with hygiene and environmental sanitation education."

Bank of Ghana promotes stability in the sub-region

The Ghanaian economy is stable and investor friendly. Inflation has declined significantly from 20.7% in June 2009 to 9.4% in October last year. Movement of the local currency has strengthened against other international currencies and is supported by high export earnings from cocoa and gold.



K.B. Amisshah-Arthur
Governor
Bank of Ghana

Macroeconomic and political stability has earned the country the accolade of a preferred investor destination in the sub-region, attracting significant private capital inflows. As a key growth pillar in the economy, the financial sector is stable, sound and profitable.

For us at the Bank of Ghana, the main objective is to maintain price stability and ensure soundness of the banking system.

To this end, since 2002, we have undertaken reforms of the legal and regulatory frameworks. Notable among them are the Banking Act, the Foreign Exchange Act, Credit Reporting Act, Payments System Act and the Anti-Money Laundering Act.

Most recently, the Borrowers and Lenders Act, sponsored by the Bank of Ghana, was passed to improve the standards of disclosure of information by lenders and borrowers and promote a consistent enforcement framework. This Act has paved the way for the establishment of a Collateral Registry to register collaterals created by borrowers to secure credit facilities by lenders.

Although the Registry started in February 2010, it has already made tremendous impact on Ghana's business climate. Indeed, establishment of the Collateral Registry has made Ghana stand out as one of the top reformers among 183 countries in improving access to credit. According to the World Bank/IFC "Doing Business 2011", Ghana is ranked one of the easiest places to do business in the West African sub-region.

The strong regulatory frameworks have paved the way for ease of entry into the banking sector and introduced transparency, competition and innovative financial products and services for various categories of persons. At present, there are 26 banks with diverse country origins, each with unique and strong business practices in financial operations.

The competitive environment has also resulted in widespread branch networking across the country, expanding the reach of financial services and deepening financial intermediation.

Subsequent to the regulatory reforms, the Bank of Ghana undertook extensive restructuring of the payments and settlement infrastructure. The Real Time Gross Settlement (RTGS), Codeline Cheque Clearing (CCC) system and Central Securities Depository (CSD) were established to ensure efficient, secure and timely payments of high valued business transactions, automated cheque clearing processes, and transference of government securities.

In addition, the Bank of Ghana instituted the national switch (e-zwich) to link all financial institutions to a common platform accompanied by e-zwich cards to lower cash-based transactions in the economy. Most importantly, the smartcard uses biometric features which promote financial inclusiveness and security against identity theft.

Stable and well-capitalized

Broadly, Ghana's financial system is stable, and financial soundness indicators point to a well capitalized and profitable banking system. The rapid growth of mobile phones has opened up other opportunities to broaden the scope of financial products and services.

Supported by guidelines on branchless banking, the thriving telecommunications sector and technology service providers in the country are partnering with the banking sector to introduce mobile money transfers which aim at extending core banking services to the domain of everyday transactions, and further deepen financial intermediation.

As the economy expands and becomes increasingly complex with oil production activities, opportunities as well as challenges of funding high business transactions will emerge. In this regard, the Bank of Ghana has strengthened its risk management systems to ensure sound banking practices and safeguard the stability of the financial system.

The minimum capital requirement for banks has gone up to GH¢60 million (about \$40 million) to enable banks to engage in high value transactions while providing adequate capital to match their risk exposures. With these policy measures, the Central Bank remains committed to pushing the frontiers of the financial sector further to promote and sustain Ghana's growth and development agenda.

Bank of Ghana

1 Thorpe Road, P.O. Box GP 2674, Accra, Ghana
Tel: +233-30-2666-174-6 (Head Office) Fax: +233-30-2662-996
Email: bogsecretary@bog.gov.gh www.bog.gov.gh



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Cirrus Oil, safety is our lifeline and our commitment for life

Cirrus Oil Services Limited
P.O. Box KIA 30414, Airport, Accra, Ghana
Tel: +233 (0) 302 781522 | info@cirrusoilgh.com
www.cirrusoilghana.com